Pinewood Group Limited

Report as at and for

the 3 months to

30 June 2019

First quarter highlights

Operational and industry highlights

Demand for production space continues to exceed capacity at Pinewood and Shepperton, thereby supporting our ongoing expansion at Pinewood East Phase II.

- Stage occupancy of 100% in the Q1 2019/20 at our UK studios, compared with 98% in Q1 2018/19.
- Total film production spend in the UK in the 12 months to June 2019 was £1.9 billion, which is consistent with the 12 months to June 2018.

Strategic highlights

A number of strategic initiatives were completed over Q1 2019/20:

- Netflix: The Group agreed a multi-year contract with Netflix to create a dedicated production hub at Shepperton Studios featuring 14 sound stages, workshops and office space. The contract, which starts in October 2019, will increase occupancy and profitability of the studio.
- Shepperton Masterplan: Formal outline planning permission for the improvement and expansion of Shepperton Studios was issued by Spelthorne Borough Council on 4 July 2019. Detailed design of the scheme is underway.
- Pinewood East Phase II: Construction of c. 200,000 sq. ft. of production accommodation remains on time and on budget. Sir Robert McAlpine, the contractor, started work in August 2018 and completion is expected in autumn 2019.
- Malaysia: The Group's involvement in the Malaysian studio came to a close in July 2019, by mutual agreement.

Financial highlights

The table below provides an overview of key performance indicators for the period:

	3 months ended 30 June 2019 £'000	**3 months ended 30 June 2018 £'000**	**Year ended 31 March 2019 £'000**	**Year ended 31 March 2018 £'000**
Revenue *	23,306	22,567	85,928	79,690
Adjusted EBITDA	13,807	12,040	44,672	42,338
Adjusted EBITDA margins	59.2%	53.4%	52.0%	53.1%
Cash generated from operations	9,624	19,528	52,748	23,624
Capital expenditure**	(18,699)	(2,754)	(42,077)	(6,399)
Adjusted net debt	(224,810)	(196,229)	(210,257)	(207,681)

* Revenue in the year to 31 March 2018 excludes the ceased Media Investment segment

** Capital expenditure represents the total purchase of property, plant and equipment, purchase of intangible assets, investment in joint ventures and repayments from joint ventures, net of proceeds from disposal of property, plant and equipment, as disclosed in the cash flow statement

Turnover

Turnover increased by £0.7 million or 3% to £23.3 million (Q1 2018/19: £22.6 million). UK studios saw increased revenues, with 100% stage occupancy in the quarter (Q1 2018/19: 98%), higher occupancy in other production accommodation and an increase in the overall rate-card. Partially offsetting this strong performance in UK studios, was lower income from the resale of certain contracted bookings and a reduction in revenue from Picture Services, part of the post-production business. Following this decline in revenue, the Group consulted on Picture Services and made the decision to phase out activities in this area.

Adjusted EBITDA

Adjusted EBITDA increased to £13.8 million (Q1 2018/19: £12.0 million) due to (i) the increase in revenue commented above, coupled with (ii) an improvement in gross margins by 2.9ppt to 59.3% (Q1 2018/19: 56.4%) reflecting the growth in UK studio activity and revenues, quarter on quarter, (iii) an improvement in occupancy levels at our joint venture in Atlanta, which is reflected in the results for the quarter, reduced by (iv) one-off legal and professional fees incurred in relation to the multi-year contract which the Group signed with Netflix to create a dedicated production hub at Shepperton Studios.

Reconciliation of profit on ordinary activities after taxation to adjusted EBITDA

	3 months ended 30 June 2019 £'000	**3 months ended 30 June 2018 £'000**	**Year ended 31 March 2019 £'000**	**Year ended 31 March 2018 £'000**
Profit on ordinary activities after taxation	7,717	6,288	21,321	24,358
Net Interest payable	1,615	1,517	6,200	2,294
Tax charge on profit on ordinary activities	2,034	1,951	6,059	5,905
Depreciation of property, plant and equipment	2,222	2,147	8,707	8,811
Amortisation of goodwill	140	140	560	560
Exceptional items	79	-	873	(549)
Operating loss from Media Investment	-	-	-	905
(Gain)/Loss on disposal of property, plant and equipment	-	(3)	952	54
Adjusted EBITDA	**13,807**	**12,040**	**44,672**	**42,338**

Cash flow and capital expenditure

Cash generated from operations decreased to £9.6 million from £19.5 million in Q1 2018/19. Whilst cash flow from operating activities before changes in working capital improved by £0.9 million in the quarter, there has been a change in working capital caused by the timing of receipts from some of our leases around the financial year end dates. FY 2018/19 saw the early receipt of amounts which were due in April 2019 in respect of FY 2019/20.

Capital expenditure increased to £18.7 million from £2.8 million in Q1 2018/19, principally reflecting our continuing development of Pinewood East Phase II.

Adjusted Net debt and liquidity

Adjusted net debt as at 30 June 2019 stood at £224.8 million with a cash balance of £25.3 million and the remaining balance of our asset financing of £0.1 million. Adjusted net debt at 31 March 2019 was £210.3 million with a cash balance of £39.9 million and asset financing of £0.2 million.

Paul Golding, CEO, commented

Pinewood and Shepperton, our UK studios, have made a good start to the year with performance in line with expectations. The signing of the Netflix contract, which starts in October of this year, will improve profitability whilst significantly reducing the risk of the business. Overall, the outlook for the Group is positive.

General information

Pinewood is the leading independent provider of the real estate that is required for the production of film and television content. Founded in 1936 and headquartered in the United Kingdom, Pinewood owns premium, large-scale facilities also known as studios, for hosting film, television and other media productions. Our freehold studios are located in prime locations near London and make Pinewood a preferred choice for major film production companies, including Disney, Universal Studios and Warner Bros. Pinewood branded studios have hosted over 2,000 films, among them 158 Oscar winners, 215 BAFTA winners and numerous blockbuster film productions with budgets of over $100.0 million.

Presentation of financial information

Unless otherwise indicated, the financial information presented in this report is the historical consolidated financial information of the Group.

This report includes or derives information from the following financial sources:

- The unaudited consolidated financial information of the Group as of and for the 3 months ended 30 June 2019 ("Q1 2019/20", "Q1 FY20"), and the comparative period as of and for the 3 months ended 30 June 2018 ("Q1 2018/19" or "Q1 FY19"), prepared in accordance with FRS 102.
- The audited consolidated financial information of the Group as of and for the year ended 31 March 2019 ("FY 2018/19") is prepared in accordance with FRS 102. The financial year for the Group runs from 1 April following the previous financial year end to 31 March each calendar year.

Further information for the noteholders

This interim report was prepared in accordance with the indenture dated 13 December 2017 among Pinewood Finco PLC, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as Trustee, and Deutsche Bank AG London Branch, as security agent and as paying agent.

This interim report may include forward-looking statements. All statements other than statements of historical fact included in this interim report, including those regarding the Group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the out-turned results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the out-turned results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this interim report. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The financial results presented in this presentation are preliminary and may change. This financial information includes calculations or figures that have been prepared internally by management and have not been reviewed or audited by our independent chartered accounting firm. There can be no assurance that the Group's actual results for the period presented herein will not differ from the preliminary financial data presented herein and such changes could be material. This preliminary financial data should not be viewed as a substitute for full financial statements prepared in accordance with FRS 102 and is not necessarily indicative of the results to be achieved for any future periods. This preliminary financial information, and previously reported amounts, could be impacted by the effects of further review by the Board of Directors.

Use of non-FRS 102 financial information

This interim report contains certain non-UK GAAP and non-IFRS financial measures and ratios, including, Adjusted EBITDA, Adjusted EBITDA margin, cash conversion, and certain other measures (collectively, "**Non-GAAP Measures**") that are not required by, or presented in accordance with UK GAAP, IFRS or the accounting measures of any other jurisdiction.

In this interim report, "Adjusted EBITDA" is calculated as profit on ordinary activities before interest receivable and similar income, interest payable and similar charges, tax credit/charge on profit on ordinary activities, depreciation of property, plant and equipment, depreciation of investment property, impairment of long-term assets, amortisation of goodwill, amortisation of long-term assets, exceptional items, operating loss attributable to Media Investment (ceased) and gain/loss on disposal of property, plant and equipment.

In this interim report, "Adjusted EBITDA margin" is calculated as Adjusted EBITDA (which includes the impact of income from participating interests and based on financial statements prepared in accordance with UK GAAP) divided by turnover (excluding Media Investment (ceased)) (which does not include the impact of income from participating interests).

In this interim report, "adjusted net debt" is calculated as debt net of cash balances, ignoring the unamortised loan issue costs.

Financial update

First Quarter 2019/20 compared with First Quarter 2018/19

Turnover

Turnover increased by £0.7 million or 3% to £23.3 million (Q1 2018/19: £22.6 million). UK studios saw increased revenues, with 100% stage occupancy in the quarter (Q1 2018/19: 98%), higher occupancy in other production accommodation and an increase in the overall rate-card. Partially offsetting this strong performance in UK studios, was lower income from the resale of certain contracted bookings and a reduction in revenue from Picture Services, part of the post-production business. Following this decline in revenue, the Group consulted on Picture Services and made the decision to phase out activities in this area.

Cost of sales

Cost of sales expenditure decreased by c. £0.4 million to £9.5 million (Q1 2018/19: £9.8 million), primarily due to lower subcontractor costs in our post-production business, releases of certain debtor provisions in the quarter following receipt of cash, which was partially offset by higher costs of facilities maintenance.

Gross profit

Gross profit increased by £1.1 million to £13.8 million (Q1 2018/19: £12.7 million) for the reasons set out above. Gross margin increased by 2.9ppt to 59.3% (Q1 2018/19: 56.4%) reflecting the growth in UK studio activity and revenues, quarter on quarter.

Selling and distribution costs

Selling and distribution costs remained level with the prior year at £0.5 million.

Administrative expenses

Administration expenses includes both recurring expenses and exceptional items. Total administrative expenses increased by 15% or £0.3 million to £2.0 million (Q1 2018/19: £1.7 million), with £0.1 million of the increase due to an exceptional restructuring cost of our post-production services business. The remaining increase included one-off legal and professional fees, together with some savings in other areas. The professional fees were incurred in relation to the multi-year contract the Group signed with Netflix to create a dedicated production hub at Shepperton Studios.

Operating profit

Operating profit before exceptional items increased by £0.9 million to £11.4 million and delivered an operating profit margin before exceptional items of 49.0% (Q1 2018/19: 46.5%).

Income from participating interests

Following improving occupancy at our joint venture's Atlanta Studios, the business delivered a marginally positive result in the quarter (Q1 2018/19: £0.7 million loss).

Interest receivable and similar income

Interest receivable and similar income remained level with Q1 2018/19 at £1.4 million, with the loan to the Group's parent company having been in place since December 2017.

Interest payable and similar charges

Interest payable and similar charges increased slightly to £3.1 million (Q1 2018/19: £2.9 million [(***)]), with higher costs in relation to our derivative financial instruments.

Tax charge on profit on ordinary activities

The tax charge on profit on ordinary activities increased by £0.1m to £2.0 million (Q1 2018/19: £1.9 million [(***)]), and an effective tax rate of 20.9% (Q1 2018/19: 23.7%). The prior year period included a higher level of non-allowable expenses and unrelieved tax losses.

Liquidity and capital resources

Cash flow

The cash balance at the end of Q1 2019/20 was £25.3 million compared with a balance of £39.9 million at 31 March 2019 and £54.3 million at the end of Q1 2018/19. The movement in cash since year end 2018/19 is attributable to a cash outflow of £14.7 million and a foreign exchange gain on cash balances of £0.1 million.

The cash outflow of £14.7 million in Q1 2019/20 compares with an increase in cash of £11.3 million in Q1 2018/19. This quarter on quarter change principally reflects the non-recurrence in working capital benefits received in Q1 2018/19, together with increased capital expenditure as the Group continues the strategic improvement and expansion of its UK studios.

Net cash inflow from operating activities

Net cash flow from operating activities decreased by c. £10.9 million to a £4.1 million inflow (Q1 2018/19: £14.9 million inflow). Whilst the quarter shows a £0.9 million improvement in cash flows from operating activities before changes in working capital, £10.5 million of customer receivables due in Q1 2019/20 were received early in March 2019, just before the start of the year, whereas the prior year saw a similar level of customer receivables being received in April 2018. In addition, corporation tax paid has increased quarter on quarter by £0.7 million, as Q1 2017/18 saw the recognition by HMRC of an overpayment of corporation tax in a previous year.

Net cash outflow from investing activities

Net cash outflow from investing activities was £18.7 million compared with £2.8 million in Q1 2018/19. This increase was principally driven by payments in relation to the development of Pinewood East Phase II, together with the Group's real estate optimisation activities.

Net cash flow from financing

Net cash outflow from financing was £0.1 million (Q1 2018/19: £0.9 million). Q1 2018/19 included cash spend for loan issue fees in relation to the refinancing in December 2017.

Note

*** Financial information in relation to Q1 2017/18 has been adjusted since it was reported, as follows:

- Interest payable decreased from c. £3,171,000 to c. £2,910,000, reflecting the recapitalisation of revolving credit facility fees which had been incorrectly unwound to the Statement of Comprehensive Income.
- Tax on profit on ordinary activities increased from c. £1,595,000 charge to c. £1,951,000 charge, reflecting a correct allocation of the tax charge for the year to Q1, and the tax associated with the interest payable adjustment above.

These amounts were correctly reflected in the full year results reported for the year to 31 March 2018.

Pinewood Group Limited

Interim condensed consolidated financial statements

Period ended 30 June 2019

Company Registration Number: 03889552

Pinewood Group Limited

Condensed Group Statement of Comprehensive Income

for the three months to 30 June 2019

	Notes	**3 month period ended 30 June 2019 £'000**	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
Turnover	1	**23,306**	22,567	85,928
Cost of Sales		**(9,485)**	(9,842)	(40,956)
Gross profit		**13,821**	12,725	44,972
Distribution costs		**(499)**	(510)	(1,717)
Administrative expenses				
Recurring activities		**(1,905)**	(1,728)	(7,388)
Exceptional items	2	**(79)**	-	(873)
Total administrative expenses		**(1,984)**	(1,728)	(8,261)
Operating profit	3	**11,338**	10,487	34,994
Comprising:				
Operating profit before exceptional items		**11,417**	10,487	35,867
Exceptional items	2	**(79)**	-	(873)
		11,338	10,487	34,994
Income / (loss) from participating interests		**28**	(731)	(1,414)
Interest receivable and similar income	4	**1,437**	1,393	5,679
Interest payable and similar charges	5	**(3,052)**	(2,910)	(11,879)
Profit on ordinary activities before taxation		**9,751**	8,239	27,380
Tax on profit on ordinary activities	6	**(2,034)**	(1,951)	(6,059)
Profit on ordinary activities after taxation		**7,717**	6,288	21,321
Other comprehensive income				
Exchange differences on translation of foreign operations on consolidation		**475**	728	809
Total comprehensive income for the period		**8,192**	7,016	22,130

The notes on pages 5 to 12 form part of these financial statements.

Pinewood Group Limited

Condensed Group Statement of Financial Position

as at 30 June 2019

	Notes	**30-Jun-19**	30-Jun-18	31-Mar-19
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets	7	**5,117**	3,784	4,622
Property, plant and equipment	8	**284,162**	233,691	266,876
Interests in joint ventures		**13,697**	11,879	13,308
Other investments	9	**1,680**	1,680	1,680
Trade and other receivables	11	**135,734**	130,357	134,369
		440,390	381,391	420,855
Current assets				
Inventories		**61**	67	36
Trade and other receivables	11	**16,439**	17,750	14,156
Cash and cash equivalents	12	**25,300**	54,320	39,914
		41,800	72,137	54,106
Total assets		**482,190**	453,528	474,961
Equity and liabilities				
Share capital	13	**5,741**	5,741	5,741
Share premium		**76,696**	76,696	76,696
Capital redemption reserve		**135**	135	135
Merger reserve		**348**	348	348
Translation reserve		**2,070**	1,514	1,595
Retained earnings		**94,315**	71,565	86,598
Total equity		**179,305**	155,999	171,113
Non-current liabilities				
Interest-bearing loans and borrowings	15	**244,579**	244,150	246,677
Derivative financial instruments	16	**2,396**	1,879	2,206
Deferred tax liabilities	6	**3,208**	3,151	3,233
		250,183	249,180	252,116
Current liabilities				
Interest-bearing loans and borrowings	15	**110**	-	171
Trade and other payables	17	**52,592**	48,349	51,561
		52,702	48,349	51,732
Total liabilities		**302,885**	297,529	303,848
Total equity and liabilities		**482,190**	453,528	474,961

The notes on pages 5 to 12 form part of these financial statements.

Pinewood Group Limited

Condensed Group Statement of Cash Flows

for the three months to 30 June 2019

	Notes	**3 month period to 30-June-2019 £'000**	3 month period to 30-June-2018 £'000	Year ended 31-Mar-19 £'000
Cash flow from operating activities:				
Profit on ordinary activities before taxation		**9,751**	**8,239**	**27,380**
Adjustments to reconcile profit on ordinary activities before taxation to net cash flows:				
Depreciation, impairment and amortisation		**2,362**	2,287	9,267
(Profit)/loss on disposal of property, plant and equipment		**-**	(3)	952
(Profit)/loss from participating interests		**(28)**	731	1,414
Interest receivable and similar income	4	**(1,437)**	(1,393)	(5,679)
Interest payable and similar charges	5	**3,052**	2,910	11,879
Cash flow from operating activities before changes in working capital		**13,700**	12,771	45,213
(Increase)/decrease in trade and other receivables		**(2,585)**	9,818	12,066
(Increase)/decrease in inventories		**(25)**	6	25
(Decrease)/increase in trade and other payables		**(1,466)**	(3,067)	(4,556)
Cash generated from operations		**9,624**	19,528	52,748
Interest paid		**(4,919)**	(4,665)	(10,171)
Interest received		**15**	29	732
Corporation tax received in respect of FPC activity		**788**	847	901
Corporation tax paid		**(1,443)**	(790)	(4,649)
Net cash flow from operating activities		**4,065**	14,949	39,561
Cash flow used in investing activities:				
Proceeds from disposal of property, plant and equipment		**-**	-	48
Purchase of property, plant and equipment		**(18,064)**	(1,738)	(37,925)
Purchase of intangible assets		**(635)**	-	(1,258)
Investment in joint ventures		**-**	(1,016)	(2,942)
Net cash flow used in investing activities		**(18,699)**	(2,754)	(42,077)
Cash flow from financing activities:				
Repayment of asset financing obligations		**(61)**	(188)	(613)
Payment of loan issue fees		**-**	(730)	-
Net cash flow from financing activities		**(61)**	(918)	(613)
Net (decrease)/increase in cash and cash equivalents		**(14,695)**	11,277	(3,129)
Foreign exchange movement		**81**	-	-
Cash and cash equivalents at the start of the period		**39,914**	43,043	43,043
Cash and cash equivalents at the end of the period	12	**25,300**	54,320	39,914

The notes on pages 5 to 12 form part of these financial statements.

Pinewood Group Limited

Condensed Reconciliation of Movement in Net Debt
for the three months to 30 June 2019

	3 month period to 30-June-2019 £'000	3 month period to 30-June-2018 £'000	Year ended 31-Mar-19 £'000
(Decrease) / Increase in cash and cash equivalents	**(14,695)**	11,277	(3,129)
Foreign exchange movement	**81**	-	-
Payment of interest on loan notes	**4,688**	4,375	9,063
Repayments of asset financing obligations	**61**	175	553
Amortisation of loan issue costs	**-**	-	(14)
Interest accrued on loan notes	**(2,590)**	(2,577)	(10,327)
Movement in net debt	**(12,455)**	13,250	(3,854)
Net debt at the start of the period	**(206,934)**	(203,080)	(203,080)
Net debt at the end of the period	**(219,389)**	(189,830)	(206,934)
Net debt at end of period excluding restricted cash	**(219,828)**	(191,076)	(207,044)

Condensed Group Statement of Changes in Equity
for the three months to 30 June 2019

	Share capital £'000	**Share premium £'000**	**Translation reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total equity £'000**
At 01 April 2018	5,741	76,696	786	483	65,277	148,983
Profit for the year	-	-	-	-	21,321	21,321
Translation reserve movement	-	-	809	-	-	809
Total comprehensive income for the year	-	-	809	-	21,321	22,130
At 31 March 2019	5,741	76,696	1,595	483	86,598	171,113
At 01 April 2019	**5,741**	**76,696**	**1,595**	**483**	**86,598**	**171,113**
Profit for the period	**-**	**-**	**-**	**-**	**7,717**	7,717
Translation reserve movement	**-**	**-**	**475**	**-**	**-**	475
Total comprehensive income for the period	**-**	**-**	**475**	**-**	**7,717**	8,192
At 30 June 2019	**5,741**	**76,696**	**2,070**	**483**	**94,315**	**179,305**
At 01 April 2018	5,741	76,696	786	483	65,277	148,983
Profit for the period	-	-	-	-	6,288	6,288
Translation reserve movement	-	-	728	-	-	728
Total comprehensive income for the period	-	-	728	-	6,288	7,016
At 30 June 2018	5,741	76,696	1,514	483	71,565	155,999

The notes on pages 5 to 12 form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements
for the period ended 30 June 2019

1 Turnover and segment information

The Group identifies its operating segments based on a combination of factors, including the nature and type of service provided and differences in regulatory environment. Operating segments are aggregated where there is a high degree of consistency across these factors, and the segments have similar economic characteristics. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Historically the Group had determined it has two reportable segments, Media Services, which provides studio and related services to the film, television and wider creative industries, and Media Investment, which provides content investment and production services, principally to the film industry. Following the cessation of Media Investment activity in the year ending 31 March 2018, revenue in the reported periods relate to Media Services only.

2 Exceptional items of expense

	3 month period ended 30 June 2019 £'000	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
Restructuring costs	**79**	-	873

Restructuring costs
Restructuring reorganisation costs above of £0.1 million in the current year relate to the ceased activities in the Picture Services business. Costs of £873k were incurred in the prior period to June 2018 in relation to streamlining and changes to the management structure.

3 Operating profit

	3 month period ended 30 June 2019 £'000	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
Operating profit is stated after charging/(crediting):			
Depreciation of property, plant and equipment	**2,222**	2,147	8,707
(Gain) / Loss on disposal of property, plant and equipment	-	(3)	952
Operating lease payments	**222**	219	957
Amortisation of goodwill	**140**	140	560
Net foreign exchange losses / (gains)	**1**	(28)	(97)

Depreciation and amortisation charges are included within cost of sales on the Statement of Comprehensive Income.

4 Interest receivable and similar income

	3 month period ended 30 June 2019 £'000	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
On financial assets measured at amortised cost:			
Interest receivable from joint ventures	**-**	-	24
Loan interest receivable	**1,371**	1,309	5,325
Bank interest receivable	**7**	29	102
	1,378	1,338	5,451
On financial assets measured at fair value:			
Loan interest receivable	**59**	55	228
	1,437	1,393	5,679

5 Interest payable and similar charges

	3 month period ended 30 June 2019 £'000	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
On financial instruments measured at amortised cost:			
Bank loan and overdraft interest	**110**	-	383
Loan interest payable	**2,590**	2,625	10,346
	2,700	2,625	10,729
On financial instruments measured at fair value:			
Interest rate hedging	**142**	168	639
Fair value movements of derivative financial instruments	**190**	99	425
	332	267	1,064
Not on financial instruments:			
Finance lease interest	**12**	17	60
Other interest paid	**8**	1	26
	20	18	86
	3,052	2,910	11,879

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued)
for the period ended 30 June 2019

6	**Tax on profit on ordinary activities**	**3 month period ended 30 June**	3 month period ended 30 June	Year ended 31 March
	(a) Analysis of charge for the year:	**2019**	2018	2019
		£'000	£'000	£'000
	Current tax:			
	UK corporation tax charge	**1,809**	1,604	5,326
	Amounts payable for Group tax loss relief	**255**	296	1,020
	Foreign corporation tax	**11**	10	36
	Foreign tax suffered	**-**	24	81
	UK film tax relief	**-**	(4)	(14)
	Double taxation credit	**-**	(15)	(50)
	Amounts under provided in previous years	**-**	-	(415)
		2,075	1,915	5,984
	Deferred tax:			
	Relating to origination and reversal of temporary differences	**(41)**	36	124
	Effect of change in deferred tax rates	**-**	-	-
	Amounts (under)/over provided in previous years	**-**	-	(49)
		(41)	36	75
	Tax charge in the Group income statement	**2,034**	1,951	6,059

b) Reconciliation of the total tax charge

	2019	2018	2019
Accounting (loss)/profit before corporation tax	**9,751**	8,239	27,380
(Loss)/profit on ordinary activities multiplied by UK rate of 19%	**1,853**	1,565	5,202
Adjustments in respect of:			
Corporation tax (over)/under provided in previous years	**-**	-	(442)
Film tax credit	**-**	(4)	(14)
Deferred tax over provided in previous years	**-**	-	(49)
Non allowable depreciation on buildings	**169**	185	635
Other non allowable expenses	**5**	94	332
Unrelieved tax losses and other deductions arising	**-**	159	545
Overseas tax at higher rate	**2**	(34)	(116)
Land remediation relief	**-**	-	-
Benefit of losses arising in Picture HoldCo Limited	**(255)**	(296)	(1,020)
Amounts payable for group tax losses	**255**	296	1,020
Effect of rate change on provision for deferred taxation	**5**	-	(9)
Double tax relief	**-**	(15)	(50)
Other adjustments	**-**	1	25
Corporation tax expense reported in the Group income statement	**2,034**	1,951	6,059

c) Deferred tax	**Opening balance 01 April 2018 £'000**	**Charged to Income Statement £'000**	**Closing balance 30 June 2018 £'000**
Accelerated capital allowances	3,676	36	3,712
Short-term temporary differences	(896)	-	(896)
Fair value adj on stepped acquisition (SSPP)	335	-	335
Net deferred tax liability	**3,115**	**36**	**3,151**

c) Deferred tax	**Opening balance 01 April 2019 £'000**	**Credited to Income Statement £'000**	**Forex £'000**	**Closing balance 30 June 2019 £'000**
Accelerated capital allowances	3,751	(41)	16	3,726
Short-term temporary differences	(853)	-	-	(853)
Fair value adj on stepped acquisition (SSPP)	335	-	-	335
Net deferred tax liability	**3,233**	**(41)**	**16**	**3,208**

7 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 31 March 2018	-	5,604	5,604
Additions	-	-	-
At 30 June 2018	**-**	**5,604**	**5,604**
Additions	1,258	-	1,258
At 31 March 2019	**1,258**	**5,604**	**6,862**
Additions	635	-	635
At 30 June 2019	**1,893**	**5,604**	**7,497**
Amortisation			
At 31 March 2018	-	1,680	1,680
Provided during the period	-	140	140
At 30 June 2018	**-**	**1,820**	**1,820**
Provided during the period	-	420	420
At 31 March 2019	**-**	**2,240**	**2,240**
Provided during the period	-	140	140
At 30 June 2019	**-**	**2,380**	**2,380**
Net book value			
At 30 June 2019	1,893	3,224	5,117
At 30 March 2019	1,258	3,364	4,622
At 30 June 2018	-	3,784	3,784
At 31 March 2018	-	3,924	3,924

Goodwill has been acquired through business combinations.

Following a review for indicators of impairment at the reporting date, it was determined that there were no indicators that the carrying value exceeded the recoverable amount.

Software relates to an asset under the course of construction and as such is not being amortised.

8 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost					
At 31 March 2018	262,969	179	44,831	1,303	309,282
Additions	1,229	-	453	715	2,397
Reclassification	-	-	-	-	-
Disposals	-	-	-	-	-
At 30 June 2018	**264,198**	**179**	**45,284**	**2,018**	**311,679**
Additions	9,826	-	1,715	29,204	40,745
Reclassification	(13)	-	-	13	-
Revaluations	-	-	-		-
Disposals	(1,033)	(179)	(378)	-	(1,590)
At 31 March 2019	**272,978**	**-**	**46,621**	**31,235**	**350,834**
Additions	691	**-**	720	18,097	19,508
Disposals	-	**-**	(19)	-	(19)
At 30 June 2019	**273,669**	**-**	**47,322**	**49,332**	**370,323**
Depreciation					
At 31 March 2018	44,730	26	31,085	-	75,841
Provided during the period	1,521	2	624	-	2,147
Disposals	-	-	-	-	-
At 30 June 2018	**46,251**	**28**	**31,709**	**-**	**77,988**
Provided during the period	4,603	4	1,953	**-**	6,560
Disposals	(354)	(32)	(204)	**-**	(590)
At 31 March 2019	**50,500**	**-**	**33,458**	**-**	**83,958**
Provided during the period	1,540	-	682	-	2,222
Disposals	-	-	(19)	-	(19)
At 30 June 2019	**52,040**	**-**	**34,121**	**-**	**86,161**
Net book value					
At 30 June 2019	221,629	-	13,201	49,332	284,162
At 30 March 2019	222,478	-	13,163	31,235	266,876
At 30 June 2018	217,947	151	13,575	2,018	233,691
At 31 March 2018	218,239	153	13,746	1,303	233,441

Assets under construction at 30 June 2019, 2018 and 31 March 2019 relate to costs capitalised in respect of the development of Pinewood East and real estate optimisation activity. These are not depreciated until the development is available for use. Phase One of Pinewood East became operational on 30 June 2016.

The Group's long-term loan is secured by a floating charge over the Group's assets.

Included within Fixtures, fittings and equipment are assets held under finance leases with a net book value of £2,190,000 (2018: £2,624,000) and depreciation charged in the period of £108,000 (2018: £111,000).

9 Other investments

	£'000
At 30 June 2018, 31 March 2019 and 30 June 2019	1,680
Fair value	
At 30 June 2018, 31 March 2019 and 30 June 2019	1,680

Company name	**Principal Activity**	**Country of incorporation**	**% equity interest**
PMBS Holding Limited	Holding company	United Kingdom	15.0%
POP Global Limited	Film IT services	United Kingdom	12.5%

PMBS Holding Limited owns 100% of Pinewood MBS Lighting Limited, a company that has an exclusive agreement to provide Lighting facilities at the Group's UK facilities.

The registered office of PMBS Holding Limited is: Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH.

The registered office of POP Global Limited is: Tea Building, 56 Shoreditch High Street, London, E1 6JJ.

10 Financial instruments held at fair value through profit or loss

The carrying value of the Group's financial instruments measured at fair value through profit or loss were:

	30-Jun-19	30-Jun-18	31-Mar-19
Financial assets measured at fair value through profit or loss:	**£'000**	£'000	£'000
Other investments (Note 9)	**1,680**	1,680	1,680
Loan notes receivable (Note 11)	**2,395**	2,588	2,336
Fair value	**4,075**	4,268	4,016
Financial liabilities measured at fair value through profit or loss:	**£'000**	£'000	£'000
Derivatives (Note 16)	**2,396**	1,879	2,206
Fair value	**2,396**	1,879	2,206

Total gains/(losses) on financial instruments held at fair value through profit and loss on the group statement of comprehensive income were

	3 month period ended 30 June 2019	3 month period ended 30 June 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Derivatives (Note 16)	**(190)**	(99)	(425)
Total (losses)	**(190)**	(99)	(425)

Other investments (Equity)

The fair value of the equity has been calculated by using a discounted cashflow model. The key inputs in respect of the discounted cashflow model are the discount factor of 10.6%, deemed to be a market rate reflecting the risks associated with the asset, the projected annual cash flows and a terminal growth rate of 1.3%.

Loan notes receivable

The fair value calculations for the loan use eight year income projections and assume an 8% coupon on the loan is rolled into the loan balance. The par value of the loan notes is £2.4 million and the fair value exercise with the assumptions noted below results in a fair value that is in line with this par value. The key assumptions used in the value in use calculations are:

Discount rate

The discount rate reflects the current market assessment of the risks specific to the financial instrument. The discount rate was calculated using the Group’s cost of debt. The discount rate used for all periods presented of 8%.

Income from operations

Income projections are fixed using an interest coupon of 8% on the loan notes.

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued)
for the period ended 30 June 2019

11 Trade and other receivables

	3 month period ended 30 June 2019 £'000	3 month period ended 30 June 2018 £'000	Year ended 31 March 2019 £'000
Amount falling due within one year:			
Trade receivables - Media services	**8,969**	10,690	9,096
Trade receivables - Film production companies	**34**	34	109
Prepayments and other receivables	**5,041**	4,438	2,615
Loan notes receivable	**2,395**	2,588	2,336
	16,439	17,750	14,156
Amount falling due after more than one year:			
Loans due from parent undertakings	**135,734**	130,357	134,369
	135,734	130,357	134,369
	152,173	148,107	148,525

Loan notes receivable of £2,395,000 (30 June 2018: £2,588,000) are due for repayment by 1 January 2025. Interest, which is rolled up, is charged at 8% and is payable in June and December each year.

Following management's review of assets for impairment, trade receivables above are stated net of a provision of £229,000 (Q1 2018: £604,000) against bad debts. In the quarter ended 30 June 2019 amounts of £377,000 (Q1 2018: £12,000) were credited to the income statement and are included within administrative expenses in respect of bad debt, following the receipt of cash.

Loans due from parent undertakings are due for repayment on 1 December 2023 and carry interest charged at 4.05% (2018: 4.05%).

12 Cash and cash equivalents

Included within the cash and cash equivalents balance per the statement of financial position at the reporting date are amounts unavailable for general use. These amounts relate to funds reserved solely for use in the production of specific Media Investment Film production company operations.

	30-Jun-19 £'000	30-Jun-18 £'000	31-Mar-19 £'000
Cash available for general use	**24,861**	53,074	39,804
Restricted cash and cash equivalents	**439**	1,246	110
Net cash and cash equivalents	**25,300**	54,320	39,914

13 Share capital

Issued, called up and fully paid	**30-Jun-19 £'000**	30-Jun-18 £'000	31-Mar-19 £'000
57,409,926 Ordinary shares of 10p each	**5,741**	5,741	5,741

The Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

14 Reserves

Share premium
Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves
Other reserves represent Capital redemption reserve £135,000 and Merger reserve £348,000.

Capital redemption reserve
The capital redemption reserve represents in accordance with section 733 of the Companies Act 2006 relating to the cancellation of shares.

Merger reserve
On acquiring Shepperton Studios Limited the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 131 of the Companies Act 1985 (since succeeded by Section 612 of Companies Act 2006), and hence £348,000 was credited to the merger reserve.

Translation reserve
Cumulative effect of the effect of foreign currency translation of operations with a functional currency other than Sterling in line with the Group's foreign currency translation accounting policy.

Retained earnings
Cumulative profit and loss net of distributions to owners.

Notes to the Condensed Consolidated Financial Statements (continued)
for the period ended 30 June 2019

15 Interest bearing loans and borrowings

		Maturity	30-Jun-19 £'000	30-Jun-18 £'000	31-Mar-19 £'000
Current borrowings					
Bank overdraft	(i)	Annual renewal	**-**	**-**	**-**
Asset financing			**110**	**-**	**171**
Non-current borrowings					
Term loan facility	(ii)	29 May 2019	**-**	**-**	**-**
Revolving credit facility	(ii)	1 June 2023	**-**	**-**	**-**
Asset financing	(iii)	5 November 2019	**-**	**549**	**-**
Loan notes	(iv)	1 December 2023	**245,847**	**244,883**	**247,945**
Non-current drawn loan facilities			**245,847**	**245,432**	**247,945**
Secured bank loan arrangement costs			**(1,268)**	**(1,282)**	**(1,268)**
			244,579	**244,150**	**246,677**
Total current and non-current interest-bearing loans and borrowings			**244,689**	**244,150**	**246,848**

The effective interest rates of the above loans and borrowings are: (i) Revolving credit facility - LIBOR plus variable margin; (ii) Loan notes - 4.28%.

On 13 December 2017, a refinancing of the Group was completed. At this date, the Group's existing drawn senior facilities, which were £97.5 million, were repaid in full and £250 million of new 3.75% Senior Secured Notes due 1 December 2023 were issued. Pinewood Group Limited advanced a £127.5 million loan on to its Parent. At the reporting date of 31 March 2019, the principal balance of £127.5 million was still outstanding and £6.9 million (2018: £1.5 million) of interest accrued on the balance is included within receivables due after more than one year.

On 13 December 2017, the Group completed a super senior revolving credit facility of £50 million which is available to draw down until 1 May 2023 with Barclays Bank plc, Credit Suisse AG London Branch, HSBC Bank plc and Lloyds Bank plc. The Group terminated its existing £35 million multi-currency revolving credit facility and its £5 million overdraft facility.

Directly attributable costs of £6.4 million were recognised at the inception of the £250 million loan notes and are being amortised as part of the effective interest rate method in accordance with the Group's accounting policy.

These facilities are secured on certain of the principal assets of the Group.

Asset financing facility
The asset financing facility comprises of both a sterling chattel mortgage facility and a finance lease facility which are over a fixed term with fixed monthly payments and are secured over identifiable assets of an equal value. These assets are classified as 'Fixtures, fittings and equipment' within 'Property, plant and equipment' in the statement of financial position.

15 Interest bearing loans and borrowings (continued)

Borrowing facilities

The available but undrawn committed facilities are as follows:

At 30 June 2019	Within 1 year £'000	1-4 years £'000	5+ years £'000	Total £'000
Facilities:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	50,000	-	50,000
Development facility	-	-	-	-
Asset financing facility	110	-	-	110
Loan notes	-	250,000	-	250,000
Total facilities	110	300,000	-	300,110
Drawn loans:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	-	-	-
Development facility	-	-	-	-
Asset financing facility	(110)	-	-	(110)
Loan notes	-	(250,000)	-	(250,000)
Total drawn loans	(110)	(250,000)	-	(250,110)
Undrawn facilities:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	50,000	-	50,000
Asset financing facility	-	-	-	-
Loan notes	-	-	-	-
Undrawn committed facilities	-	50,000	-	50,000

At 30 June 2018	Within 1 year £'000	1-4 years £'000	5+ years £'000	Total £'000
Facilities:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	50,000	-	50,000
Development facility	-	-	-	-
Asset financing facility	-	549	-	549
Loan notes	-	250,000	-	250,000
Total facilities	-	300,549	-	300,549
Drawn loans:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	-	-	-
Development facility	-	-	-	-
Asset financing facility	-	(549)	-	(549)
Loan notes	-	(250,000)	-	(250,000)
Total drawn loans	-	(250,549)	-	(250,549)
Undrawn facilities:				
Bank overdraft	-	-	-	-
Revolving credit facility	-	50,000	-	50,000
Asset financing facility	-	-	-	-
Loan notes	-	-	-	-
Undrawn committed facilities	-	50,000	-	50,000

16 Derivative financial instruments

The Group's interest rate swaps are recognised as derivative financial instruments. Fair value movements are recognised in the income statement within interest receivable and similar income.

	Maturity	**30-Jun-19 £'000**	30-Jun-18 £'000	31-Mar-19 £'000
Financial liabilities carried at fair value:				
Non-current derivative financial instrument liabilities		**2,396**	1,879	2,206
		2,396	1,879	2,206

Interest rate swaps

To minimise the volatility in cash flows from a change in LIBOR, the Group held interest rate swaps designated as hedges against drawn debt obligations as detailed below.

	Maturity	**30-Jun-19 £'000**	30-Jun-18 £'000	31-Mar-19 £'000
Effective interest rate %				
2.00% + variable margin	30 April 2025	25,000	25,000	25,000
2.08% + variable margin	30 April 2022	25,000	25,000	25,000
		50,000	50,000	50,000

The Group's economic hedges of interest rate risk are treated as derivative financial instruments and fair value movements are recognised in the income statement.

The interest swap finance costs are charged to the income statement when the swap is payable. The swaps are payable on a quarterly basis.

17 Trade and other payables

	30-Jun-19	30-Jun-18	31-Mar-19
	£'000	£'000	£'000
Trade payables - Media services	**1,646**	2,776	2,048
Trade payables - Film production companies	**481**	1,742	517
Corporation tax payable	**3,011**	2,763	1,967
Value added tax	**-**	996	1,385
Other payables	**939**	1,384	635
Accruals	**5,196**	3,705	4,807
Amounts due to parent company	**4,078**	3,080	4,078
Capital expenditure related payables	**11,365**	5,194	9,753
Deferred royalty	**670**	668	669
Deferred income - Media services	**25,169**	26,004	25,665
Deferred income - Film production companies	**37**	37	37
	52,592	48,349	51,561

No fixed security has been given in respect of any of the items listed above.

At 30 June 2019, the Group had total capital commitments contracted for, but not provided in the financial statements, of £8,970,515 (2018: £nil) in respect of development expenses arising from Pinewood East.

18 Subsequent events

No significant events have occurred after the balance sheet date, other than as disclosed in the annual accounts for the year ended 31 March 2019.

19 Principal risks and uncertainties

There are no changes to the assessment and considerations of the principal risks as disclosed in the Group's Annual Report for the year ending 31 March 2019.

An electronic version of the Annual Report and accounts can be obtained from Companies House.